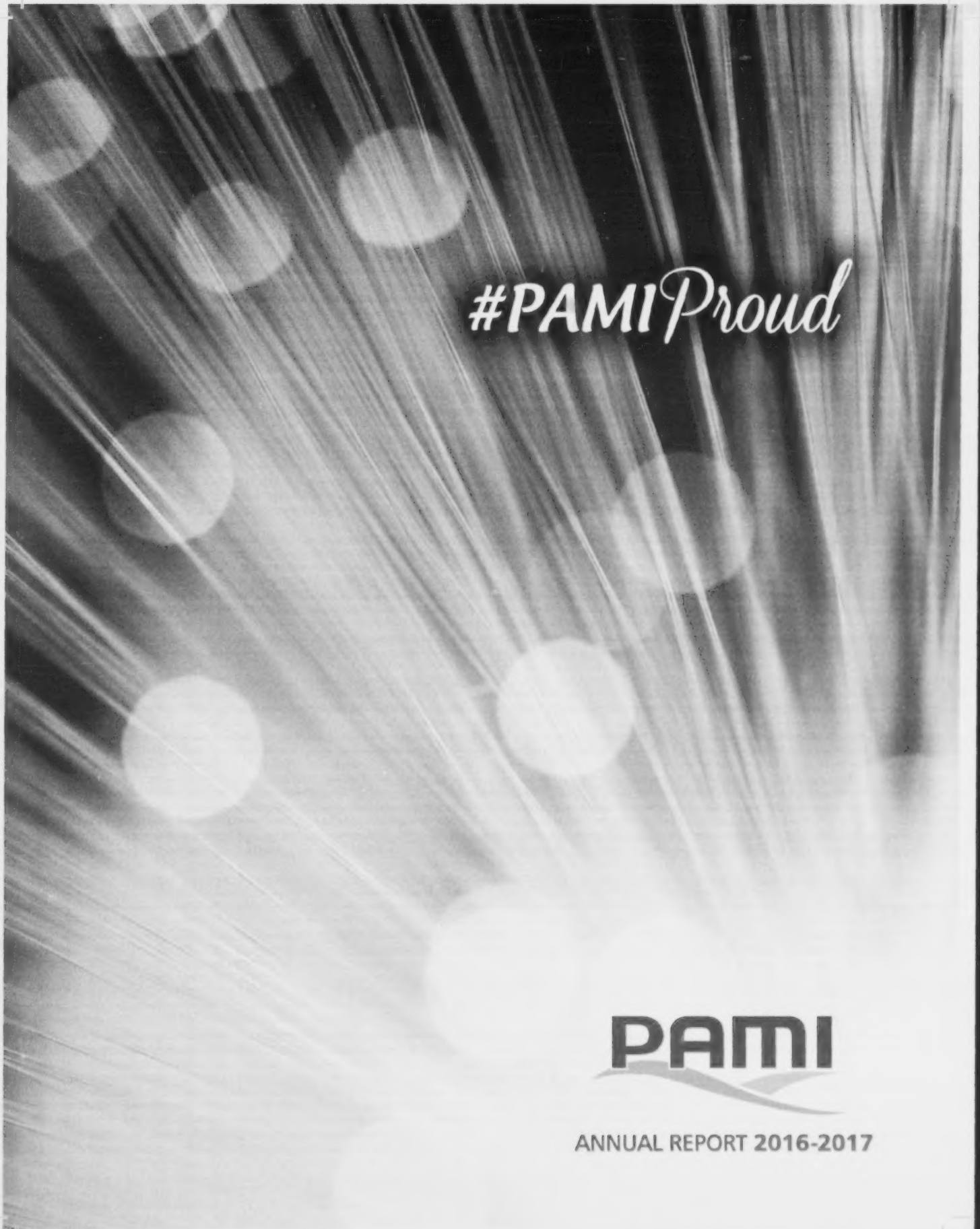

PAMI

ANNUAL REPORT **2016-2017**

LETTERS OF TRANSMITTAL

Honourable LYLE STEWART
Minister of Agriculture,
Government of Saskatchewan

Honourable RALPH EICHLER
Minister of Agriculture,
Government of Manitoba

Government of Saskatchewan

July 7, 2017

The Honourable Vaughn Schofield
Lieutenant Governor
Province of Saskatchewan

Your Honour:

I have the honour to submit the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2017. It includes the financial statements audited by the Provincial Auditor.

Respectfully submitted,

Honourable Lyle Stewart
Minister of Agricu ture
Government of Saskatchewan

PAMI

July 7, 2017

Honourable Lyle Stewart
Minister of Agriculture
Government of Saskatchewan

Honourable Ralph Eichler
Minister of Agriculture
Government of Manitoba

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2017.

Respectfully submitted,

Tim Oleksyn
Chair, Board of Directors
Prairie Agricultural Machinery Institute

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#PAMIProud 10

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ABOUT US

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE (PAMI)

For 42 years PAMI has researched, designed, built, and tested machinery, machinery components, and machinery processes. Our scientific research approach, coupled with our hands-on lab, shop, and in-field design and testing, promises practical solutions to real-world problems. We are scientists, engineers, agronomists, journeypersons with mud on our boots and grease under our fingernails.

Together with our associate, WESTEST, and our research divisions—Western Beef Development Centre and Applied Bioenergy Centre—we tackle the toughest issues with our partners from across Western Canada and around the globe. While our success continues in agriculture, we have solved countless issues in scores of markets. We've helped farmers increase crop yields to feed a growing world. We've protected soldiers' lives with equipment advances. We've helped small business owners improve their products and inventions. And we are just getting started.

Board of Directors: Tim Oleksyn (Chair and Saskatchewan producer), Bill Zettler (Vice Chair and Manitoba producer), Bryan Hadland (Saskatchewan producer), Boris Michaleski (Manitoba producer), Leloni Scott (Representative of Manitoba Agriculture).

Corporate Management Team: David Gullacher (President/Chief Executive Officer), David Yee (Vice President, Saskatchewan Operations), Harvey Chorney (Vice President, Manitoba Operations), Joanne Forer (Vice President, Finance and Administration), James Wassermann (Manager, Western Beef Development Centre).

WESTERN BEEF DEVELOPMENT CENTRE

The **Western Beef Development Centre** is a leader in collaborative applied research for the beef and forage industries, identifying and communicating opportunities for profitable innovation. Its mission is to collaboratively link lab and land for the competitiveness and sustainability of the cow-calf industry in Saskatchewan.

Strategic Advisory Committee: Tim Oleksyn (Chair), Duane Thompson (Vice Chair), Murray McGillivray, Brent Griffin, Ross Macdonald, Ryan Sommerfeld, Steve Pylot, Levi Hull, Dr. John McKinnon, Dr. John Campbell, Grant Zalinko, Tracy Evans, Tod Wallace.

APPLIED BIOENERGY CENTRE

The **Applied Bioenergy Centre** advances technology for practical bioenergy and bioproduct utilization. The state-of-the-art facility conducts novel research on larger scale biogas production, material handling, land application of digestate, and life cycle assessments of emissions from manure management. The Centre is also involved in developing equipment to process agricultural residues, evaluating the potential yield, and minimizing the production costs of dedicated energy crops for Saskatchewan.

WESTERN CANADA TESTING INC. (WESTEST)

WESTEST is a testing and engineering facility with proven, industry-respected service, delivering advanced product engineering and development. The organization is owned by a group of five diverse industry associations and companies. PAMI provides all personnel and business functions to WESTEST under a management contract.

Board of Directors: Leah Olson, Acting Chair (Agricultural Manufacturers of Canada or AMC), Rhonda Orr (Manitoba Hydro), Pamela Schwann (Saskatchewan Mining Association), Jason Abbott (John Deere), Craig Murray (CNH Global), Grant Adolph (AMC), Russ Klassen (AMC), Ben Voss (AMC), Al Marques (AMC).

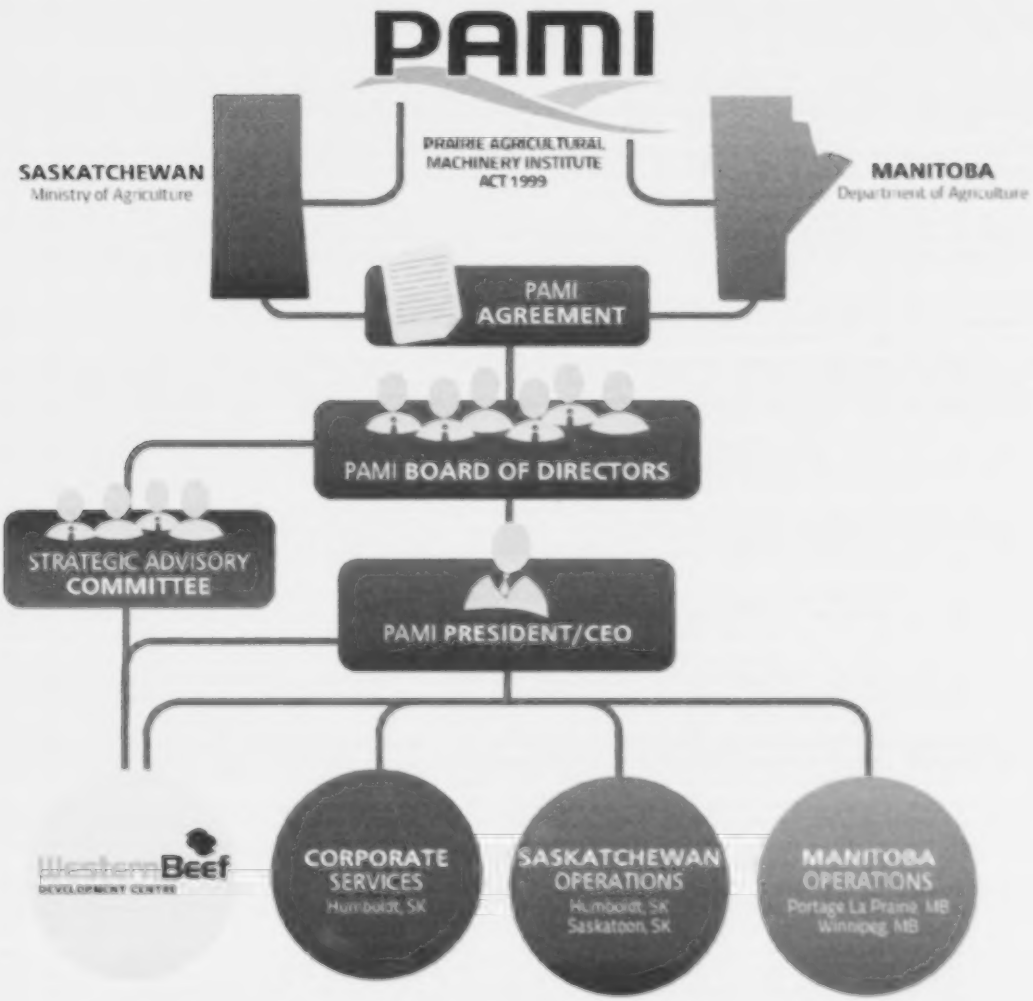
OUR VISION AND MISSION

VISION

Innovative solutions for agriculture and beyond.

MISSION

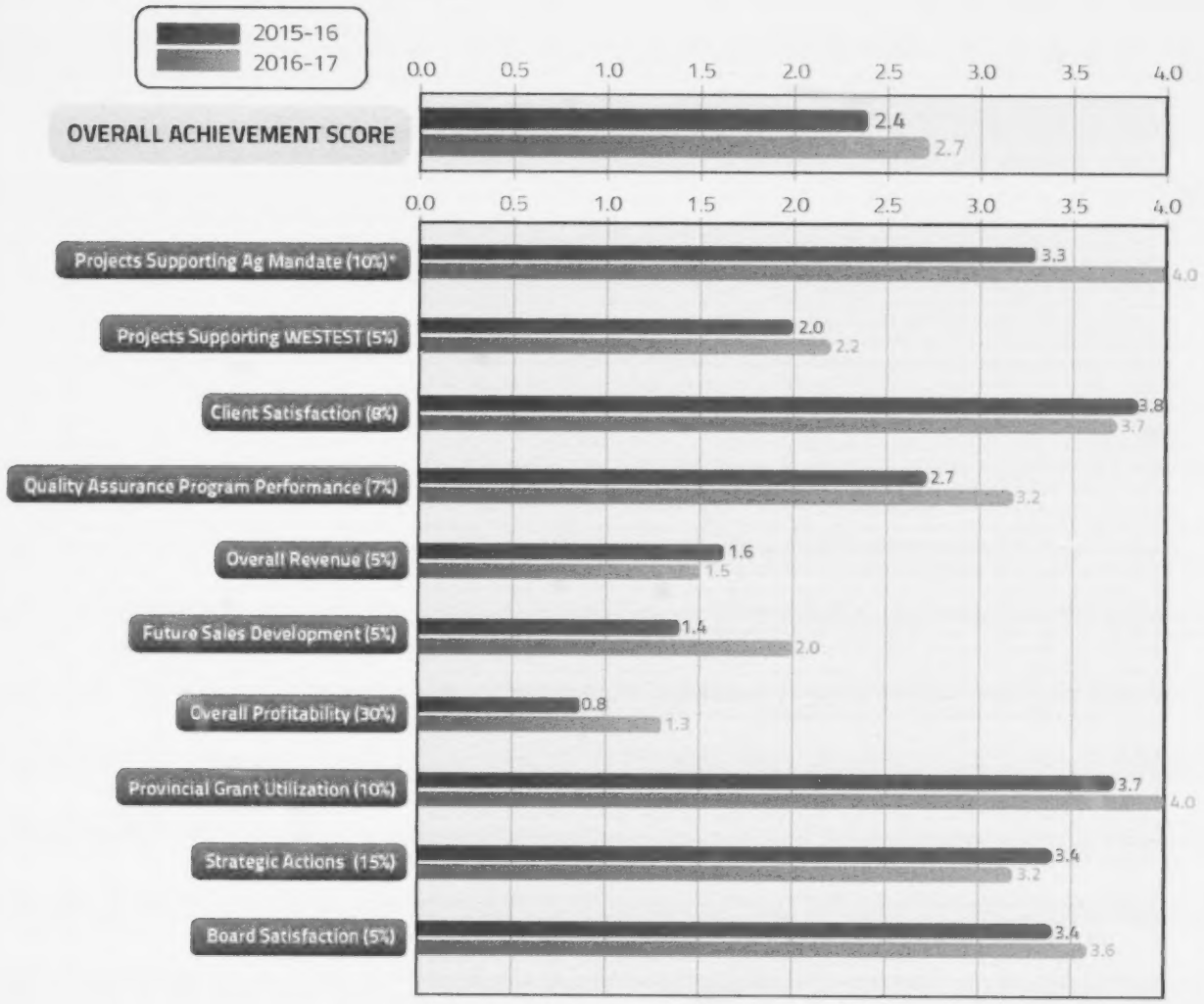
To ensure agricultural sustainability and profitability through research, innovation, adaptation, and knowledge transfer. We partner with and serve a broad range of clients to achieve our mission.



ACHIEVEMENT SCORECARD

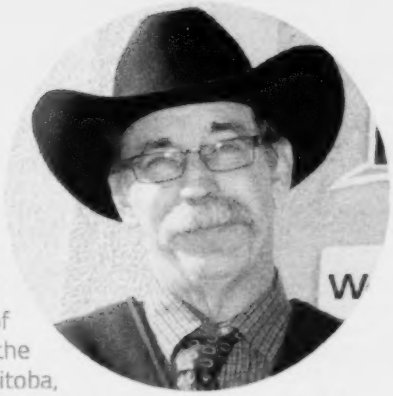
The PAMI Achievement Scorecard is supported by information that is clear, transparent, accessible, and is presented with minimal commentary. Each Achievement Score is based on evidence.

We value our reputation and relationships with employees, producers, governments, stakeholder groups, and the communities in which we serve. Therefore, we hold ourselves accountable for the quality and effects of our day-to-day work.



*Achievement Scores are assigned a percentage of 100%

CHAIRMAN'S MESSAGE



In November, the PAMI Board of Directors developed a new Strategic Plan to 2021 that builds upon our past accomplishments, yet focuses on the machinery problems of today and tomorrow. We will continue to meet and predict the needs of the two provinces we serve, Saskatchewan and Manitoba, knowing the solutions we discover can be applied to machinery issues in many industries around the globe. From better understanding how precision agriculture and big data integration can help farmers produce better crops to developing green technologies that use wind and other renewable resources so small businesses are profitable; from researching large-scale grain storage to help producers reduce losses to improving harvesting machinery for new crop varieties emerging across the prairies - our discoveries will inform future agricultural practices. By working together with producers, producer groups, governments, and industry, PAMI will continue to add to the prosperity of agriculture and industry.

To help meet these demands, we seek to replace two key members of our board of directors who provided exemplary service. Dr. Abdul Jalil is changing roles within his profession and will no longer be our Government of Saskatchewan representative. Jalil is a tremendous individual and a real friend of science who worked to bring together government, academia, industry, and producers. Greg Archibald is also making a career move, and although he will no longer be at our board table, we expect to be in contact with him in his new role that is adjacent to the industries PAMI serves. I offer a sincere thank you to Jalil and Greg for their outstanding commitments to PAMI.

As I contemplate our theme, #PAMIProud, I am grateful to the many people who have contributed to our success. Thank you to Ministers Lyle Stewart and Ralph Eichler for their engagement and steadfast support. Thank you to our funders and partners who support our innovation. And from the bottom of my heart, thank you to the Corporate Management Team and the entire PAMI staff. You are the foundation of our success and the inspiration for our future.

Tim Oleksyn
Chair, Board of Directors
Prairie Agricultural Machinery Institute
Western Beef Development Centre

PRESIDENT'S MESSAGE

The theme for this year's annual report, #PAMIProud, is a fitting one. It reflects the youthful vitality that will help our workforce meet the opportunities facing both our organization and the agriculture industry.

This year, we invested significant effort to attract important members to our team, and we are excited about their contributions. Welcome to David Yee, our new Vice President, Saskatchewan Operations. He started in July and immediately began finding new approaches and avenues to excellence. David has international experience and a solid background in marketing. With his leadership, we are confident we will find new opportunities and hone our culture of customer service. We also made a key investment in communications and outreach through the creation and hiring of a Communications Program Manager. Finally, to meet the needs of our client base, we have hired more engineers and agronomists. We have a vibrant and energetic workforce ready to carry PAMI through its next strategic plan.

We offer a fond farewell to Paul Jefferson, who led the Western Beef Development Centre as its vice president since 2007. He established a high standard of research and technology transfer and led a capable team of top scientists.

While we are excited about our future, we are #PAMIProud of our agricultural research and development work over the past year. PAMI completed 126 agriculture-related projects this year, which is up 33 percent from last year. The estimated economic impact of this work is well over $108 million, which is enriching the communities we serve. We are also incredibly proud of the other industries we support, including defence, mining, manufacturing, and energy. I congratulate our staff - your experience, enthusiasm, and energy are what ensures our continued success.

David Gullacher, P.Eng.
President and Chief Executive Officer
Prairie Agricultural Machinery Institute
Western Beef Development Centre
Western Canada Testing Inc.

STRATEGIC PLAN

Looking forward to 2021 – Improving ourselves, our partners, our communities, our provinces.

What can we **DO different**?

How can we **DO more**?

Can we **DO better**?

These are the questions we ask ourselves every day.

We have a 42-year reputation for getting the job done. PAMI is representative of the Prairie provinces: full of entrepreneurialism, pioneering spirit, and appreciation of a hard day's work. These qualities, combined with our cutting-edge technologies, state-of-the-art facilities, and unique talents and skill sets, are what will continue to fuel our success. As we pursue our ambitious goals for the future, we will continue to challenge ourselves to **DO Different**, **DO More**, and **DO Better**.

DO DIFFERENT

Big Ag Data – PAMI will better serve producers and partners in this emerging technology, which combines sophisticated data collection with analysis and decision making to enhance agricultural competitiveness and sustainability.

Large-Scale Grain Storage – As producers increasingly store more grain in larger bins, there is an urgent need to develop new management practices that will preserve and protect larger quantities of product. PAMI will build upon the research conducted over the past 20 years and lead in the development of large-scale grain storage best practices.

Climate Change – PAMI will enhance its engineering and agronomic skills to support greenhouse gas mitigation strategies, from optimizing fuel and fertilizer efficiency to exploring renewable energy sources. PAMI must also support climate change adaptation efforts. Climate changes mean new crops, new pests, and new diseases, all of which require new agricultural management practices.

DO MORE

Synergistic Projects – We know a lot of about machinery at PAMI. By applying our decades of agricultural machinery experience, we are helping to improve efficiencies in mining, manufacturing, energy, and other industries, which in turn improves our communities and provinces. PAMI is committed to improving safety, reducing costs, and finding best solutions for our partners.

Diversified Revenue – Diversifying our revenue allows us to continue our work in agriculture research. We will continue to find new markets where our talents, expertise, tools, and training are relevant. Additional revenues are reinvested in agriculture research in Saskatchewan and Manitoba.

DO BETTER

Sharing Our Story and Knowledge – We will continue to bolster our efforts in communications and outreach. We will enhance our online presence in order to improve our research dissemination, while continuing with our speaking engagements, tradeshow participation, and business development activities. PAMI is committed to assisting our partners, producers, and communities with our wealth of knowledge, experiences, and expertise.

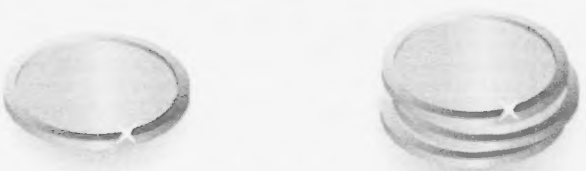
Client-Centred Focus – PAMI will place renewed efforts on accomplishing a client-centred approach to our everyday work. We will evaluate our processes, services, and structure to ensure our partners are at the heart of every decision and action.

#PAMIProud

Making a Difference to Agriculture

Agriculture is our priority. Our projects in agriculture span the spectrum from machinery development and improvements for major manufacturers to helping small farmyard inventors bring their latest inventions to the market to discovering the best farming techniques for the prairies. We are proud of the growth in the number of agriculture-related projects we completed this past year.

*(*an increase over last PAMI fiscal year)*



$1.00 = $2.91

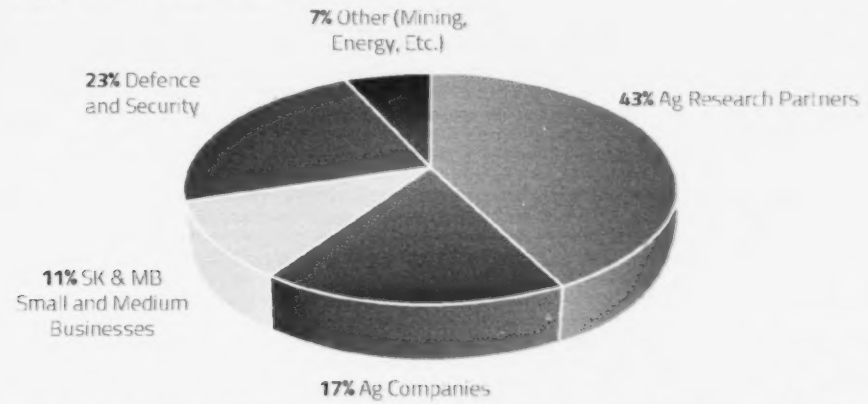
PAMI Triples Government Investments

Every $1 of government grant funding invested in PAMI equates to $2.91 for agriculture research and development.

#PAMIProud Customers

Our customers and partners are at the heart of what we do. From the shop floor to the Board of Director's table, we are constantly asking ourselves – "How can we do better?"

By asking ourselves that question, we have discovered our agricultural machinery expertise is relevant and applicable to clients in many industries. Nearly 40 percent of the client projects we completed this past year represent other clients and sectors, including small and medium-sized businesses, mining, energy, and defence and security organizations.


7% Other (Mining, Energy, Etc.)
23% Defence and Security
43% Ag Research Partners
11% SK & MB Small and Medium Businesses
17% Ag Companies

Serving clients and partners from different sectors can be a challenge and requires working closely with our employees, partners, and suppliers. We are committed to continuously improving our customers' experiences and many days we are getting it right.

TONY MUNGHAM

Manager, Border Technology Development Sector, Science and Engineering Directorate, Canada Border Services Agency

"We at the CBSA are fortunate to have access to a group such as PAMI that have such a high degree of engineering competency backed with integrity and professionalism. PAMI extends the capability of our team and helps us achieve great outcomes for the CBSA."

ERIC VON DOELLEN

Operations Manager, Staging Canada

"As a manufacturer in an increasingly competitive global market it is critical for our company to be flexible in product design to address the ever-changing needs of our clients and industry. Our clients demand safety, durability and flexibility, supported by independent testing and compliance to appropriate codes. Whether it be in support of original design, filtering through code requirements for specific products or geographical regions and or testing and providing compliance certification, PAMI/WESTEST has always proven to be more than capable and competent."

BETTY SCHOENHOFER

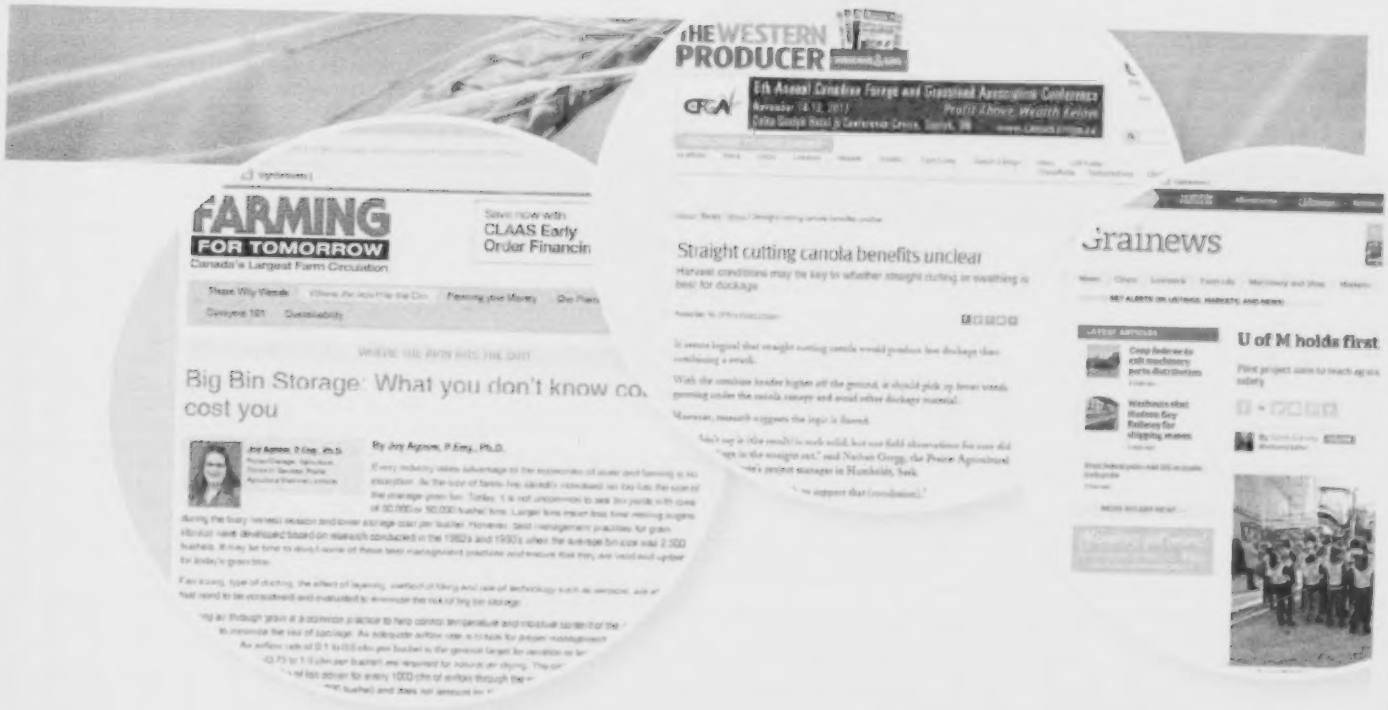
Owner, Technotill

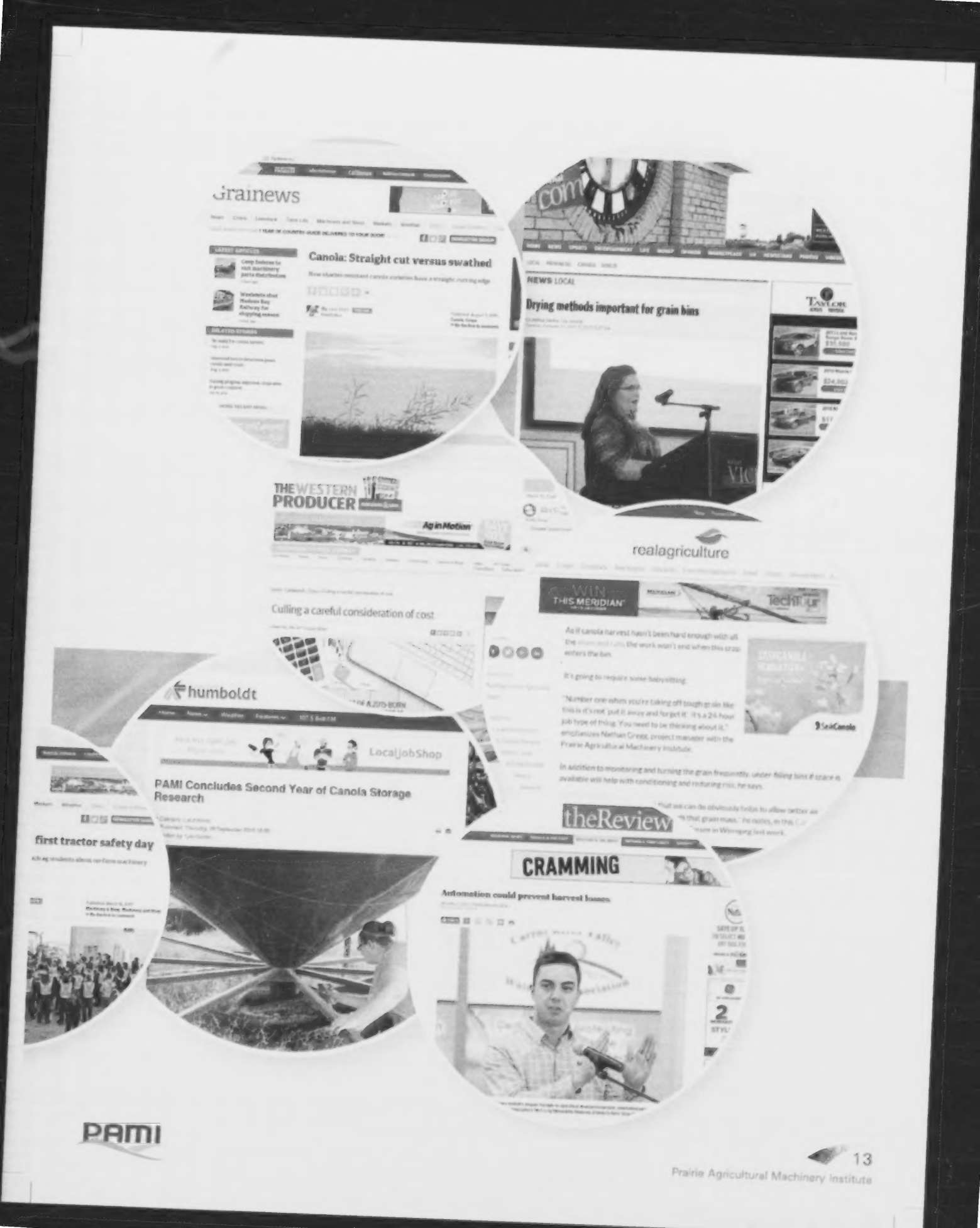
"Since we first met a number of years ago, I have appreciated your willingness to be available to me personally to help sort through technical problems and find ways to improve the performance of our seeding system. No question, you have contributed to Technotill's success."

SHARING *our knowledge* #PAMIProud

NEWS

Sharing our practical advice and research with producers is important to helping our communities remain strong. Each year, PAMI experts reach thousands through hosting research-related presentations and events, participating in media interviews, conducting demonstrations, and sharing their knowledge via social media.


THE WESTERN PRODUCER
FARMING FOR TOMORROW
Canada's Largest Farm Circulation
Big Bin Storage: What you don't know co. cost you
Straight cutting canola benefits unclear
Grainews
U of M holds first


Grainews
Canola: Straight cut versus swathed
NEWS LOCAL
Drying methods important for grain bins
THE WESTERN PRODUCER
realagriculture
Culling a careful consideration of cost
humboldt
LocalJobShop
PAMI Concludes Second Year of Canola Storage Research
first tractor safety day
theReview
CRAMMING
Automation could prevent harvest losses

PAMI

MOMENTS *of being* #PAMIProud

AMIE HARRISON
Chemical Engineer-in-Training

"I am putting my engineering education into action at PAMI. I have been given opportunities to work with some of the brightest senior engineers on real projects that include all aspects of technical work, from start to finish. I am so excited to work on the soybean research project this coming year, knowing my work is making a real difference to producers. As an added bonus, my work is helping me on my own farm. Someday I will be a partner in the farming operation and everything I am learning at PAMI is helping me become a better farmer."

Amie Harrison moved from Calgary, AB, and joined PAMI in October of 2016. Amie and her spouse live on their family farm south of Muenster, SK. Amie attended the University of Calgary and graduated with distinction from her chemical engineering class. The research project Amie is working on, which is funded by the Saskatchewan Pulse Growers, will investigate inoculant rates for soybeans in Saskatchewan.

"...everything I am learning at PAMI is helping me become a better farmer"

— Amie Harrison
Chemical Engineer-in-Training

PAMI

PAMI

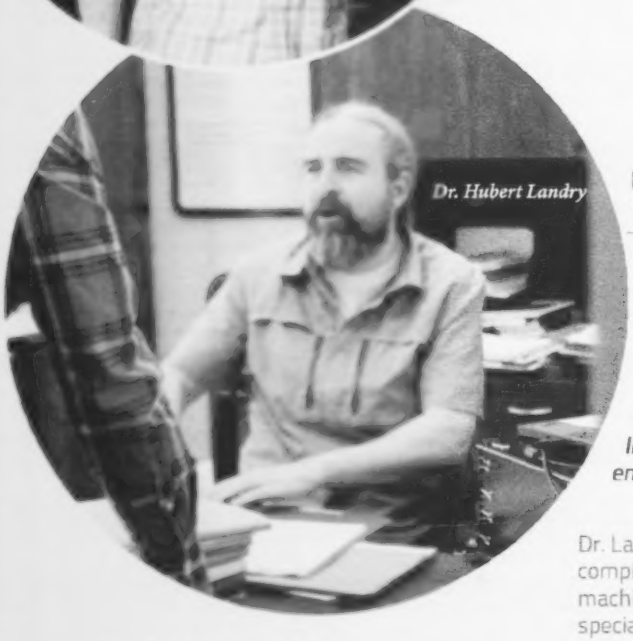
JOAL OLLIVIER
Mechanical Engineer

"I am helping a Saskatchewan company to develop a processing plant that will convert agricultural waste to biofuel. By providing third-party unbiased engineering advice, I am helping to flesh out important plant design elements to accelerate the client's progress, while ensuring the safety and profitability of the plant. My role in developing technology that will reduce and advance green technologies is important to me."

Since his graduation from mechanical engineering at the University of Saskatchewan, Joal worked in the potash industry for eight years before joining PAMI early in 2017. He currently lives in Muenster, SK, and is looking to purchase an acreage very soon.

"Playing a part in reducing waste and the need for fossil fuels by advancing green technologies is important to me."

—Joal Ollivier
Mechanical Engineer



DR. HUBERT LANDRY
Research Scientist - Engineering

"Have you ever wondered how air turbulence caused by a sprayer affects chemicals reaching the plants? This is the genesis of the research I am working on. Using extensive field data and computer simulation, I am able to investigate 'what if' scenarios to better understand different outcomes based on several variables such as speed, machine design, boom height, and more. When we determine how air turbulence affects spray deposition, we can help manufacturers develop better machines. Improving spraying will reduce costs for farmers, along with the harmful environmental impacts that come with over-spraying and spray drift."

Dr. Landry grew up in a small town in Quebec surrounded by agriculture. Upon completion of his Ph.D. from the University of Saskatchewan, his love of big machines led him to PAMI where he has worked for 12 years. Dr. Landry's specialization in numerical modelling and simulation has earned him national recognition. The two-year sprayer aerodynamic study he led, funded by Western Grains Research Foundation, was completed in 2017.

"...we can help manufacturers develop better machines."

—Dr. Hubert Landry
Research Scientist - Engineering

LEAH PEARCE
Beef Reseach Technician

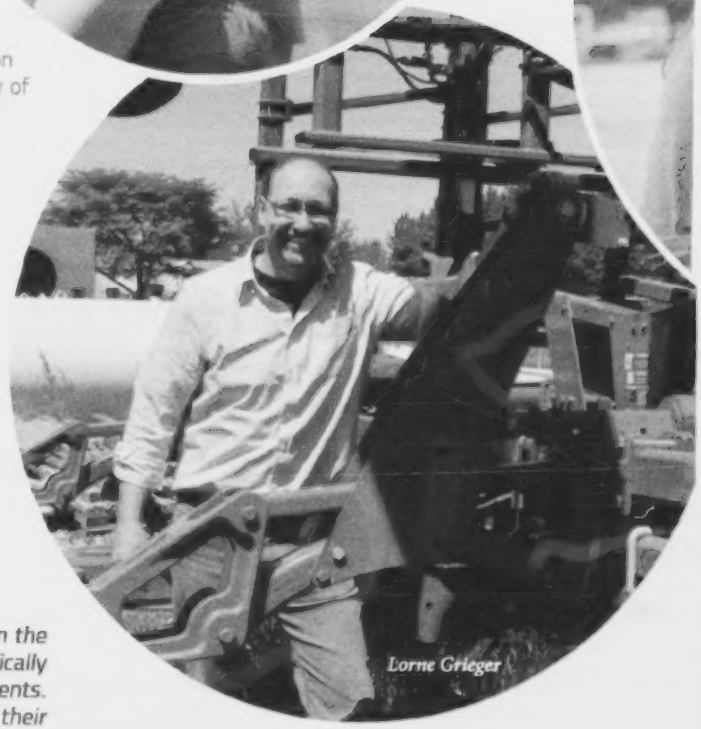
"At the Western Beef Development Centre, our focus is finding new ways to reduce costs for producers. One of our research projects is determining how the core body temperature of weaned calves relates to feed efficiency and weight gain. The project is led in part by Dr. Lardner in collaboration with researchers from France, United States, and across Canada. It was exciting for me to be a part of an innovative first-time research project using the latest technologies, knowing one day it could change the way producers manage their herds."

Leah grew up on a grain farm in southern Saskatchewan. She obtained her Agriculture degree at the U of S and started working at the Western Beef Development Centre in 2005. She and her husband live on an acreage near Lanigan, SK. Leah and the rest of the Western Beef Development Centre staff will transition to the Livestock and Forage Centre of Excellence at the University of Saskatchewan in April 2018.

Leah Pearce

"It was exciting for me to be a part of an innovative first-time research project..."

— Leah Pearce
Beef Research Technician


Lorne Grieger

LORNE GRIEGER
Assistant Vice President, Manitoba Operations

"It's so rewarding to see research findings immediately applied on the farm. This past year, we studied straight cutting canola, specifically the possible benefits and risks, along with pre-harvest treatments. Producers are already using our findings to decide how to manage their canola harvest this fall. By working together with industry, producers, and government agencies, we conduct research that is highly applicable to farming operations across Western Canada."

Lorne Grieger is an Agricultural Engineer who grew up on a cattle and grain farm near White Swan, MB. During Lorne's 17-year career at PAMI, he has led hundreds of agriculture research projects focused on seeding and harvest practices for grain, pulses, corn, canola, and more.

"It's so rewarding to see research findings immediately applied on the farm."

— Lorne Grieger
Assistant Vice President, Manitoba Operations

DR. JOY AGNEW

Research Scientist – Agriculture & Bio-Products

"I recently received a call from a producer seeking grain storage advice. He turned out to be my elementary school principal, who also farms, from my hometown. This was reminder that what I am doing is making a real difference to producers in Saskatchewan, including the community where I grew up. It can be difficult for engineers and scientists to relate their work to real issues their family and friends can understand. That is not the case with my work at PAMI."

Dr. Agnew has worked at PAMI for eight years. She earned her Ph.D. at the University of Saskatchewan and M.Sc. at the University of Alberta. While working at PAMI, Dr. Agnew has continued teaching at the U of S and St. Peter's College as a sessional lecturer and adjunct professor in the College of Engineering. She currently resides in Humboldt, SK, with her husband and three dogs.

Joy Agnew

"...what I am doing is making a real difference to producers in Saskatchewan."

— Joy Agnew
Research Scientist - Agriculture & Bio Products

Nathan Gregg

NATHAN GREGG

Project Manager – Applied Agricultural Services

"Helping agricultural machinery manufacturers create better products that will help farmers is really satisfying. Recently, I helped a manufacturer test their product in the field and in the lab to validate their product development efforts. We uncovered unexpected issues that could have affected field performance, leading to costly issues for the company and producers. At the end of the project, the manufacturer was ecstatic with our work, knowing it helped save the company time and money."

During Nathan Gregg's 15 years at PAMI, he has worked on countless agricultural machinery and agronomy research projects. He grew up near Payton, SK, where his family operated an 800-head cattle feedlot and grain farm. Nathan continues to farm the family homestead and lives in Humboldt, SK, with his wife and two young children.

"Helping agriculture machinery manufacturers create better products that will help farmers is really satisfying."

— Nathan Gregg
Project Manager – Applied Agricultural Services

PAMI

MANAGEMENT REPORT

To the Members of the Legislative Assembly of Saskatchewan:

Year Ended March 31, 2017

The accompanying financial statements are the responsibility of the management of the Prairie Agricultural Machinery Institute. They have been prepared in accordance with Canadian public sector accounting standards, using management's best estimates and judgments, where appropriate. Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and the accounting systems provide accurate and reliable financial information. The Board of Directors is responsible for ensuring that management's responsibilities are properly discharged to review and approve the financial statements. The Provincial Auditor of Saskatchewan has audited PAMI's financial statements in accordance with the Canadian generally accepted auditing standards and her report follows.

David Gullacher
President and Chief Executive Officer
Prairie Agricultural Machinery Institute

Joanne Forer
Vice President Finance and Administration
Prairie Agricultural Machinery Institute

FINANCIAL STATEMENTS

PROVINCIAL AUDITOR
of Saskatchewan

Independent Auditor's Report

I have audited the accompanying financial statements of Prairie Agricultural Machinery Institute, which comprise the statement of financial position as at March 31, 2017, and the statement of operations and accumulated surplus, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Prairie Agricultural Machinery Institute as at March 31, 2017 and the results of its operations, its remeasurement gains and losses, change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Judy Ferguson, FCPA, FCA
Provincial Auditor

Regina, Saskatchewan
July 7, 2017

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF FINANCIAL POSITION
As at March 31

	2017	2016
Financial Assets		
Cash	$ 685,091	$ 744,050
Due from General Revenue Fund (Note 3)	1,463,374	2,269,421
Accounts receivable (Note 4)	2,647,974	2,190,833
	4,796,439	**5,204,304**
Liabilities		
Accounts payable and accrued liabilities (Note 5)	1,106,741	865,765
Deferred revenue	973,052	1,010,969
	2,079,793	**1,876,734**
Net Financial Assets (Statement 4)	**2,716,646**	**3,327,570**
Non-Financial Assets		
Tangible capital assets (Schedule 1)	4,826,853	4,751,932
Prepaid expenses	297,455	277,568
Breeding herd (Note 6)	275,325	316,018
Inventory held for consumption (Note 7)	315,053	315,302
	5,714,686	**5,660,820**
Accumulated Surplus (Note 8)		
Accumulated operating surplus (Statement 2)	8,431,199	8,988,100
Accumulated remeasurement gains (Statement 3)	133	290
	8,431,332	8,988,390
	$ 8,431,332	**$ 8,988,390**

Contractual obligations (Note 13)

(See accompanying notes and schedules to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the year ended March 31

	Budget (Note 12)	2017	2016
Revenue			
Provincial Transfers:			
Government of Saskatchewan			
Ministry of Agriculture			
- operating	$ 1,223,000	$ 1,223,000	$ 1,023,000
Government of Manitoba			
Department of Agriculture, Food and Rural Development			
- operating	333,000	333,000	333,000
	1,556,000	1,556,000	1,356,000
Fee for service	8,952,326	7,672,434	6,959,365
Other income	488,300	298,062	544,993
Interest income	8,000	12,130	19,003
Total revenues	**11,004,626**	**9,538,626**	**8,879,361**
Expenses			
Saskatchewan Operations	6,507,319	6,159,395	5,849,325
Western Beef Development Centre	2,042,740	2,049,657	1,880,359
Manitoba Operations	1,488,875	1,534,986	1,501,995
Corporate Services	487,315	351,489	544,044
Total expenses	**10,526,249**	**10,095,527**	**9,775,723**
Operating deficit before capital grants	**$ 478,377**	**(556,901)**	**(896,362)**
Capital grants from Department of Agriculture, Food and Rural Development	-		249,950
Operating (deficit) surplus for the year (Schedule 2)	**$ 478,377**	**$ (556,901)**	**$ (646,412)**
Accumulated operating surplus, beginning of year		8,988,100	9,634,512
Accumulated operating surplus, end of year (Statement 1)		**$ 8,431,199**	**$ 8,988,100**

(See accompanying notes and schedules to financial statements)

Statement 3

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the year ended March 31

	2017	2016
Accumulated remeasurement gains (losses), beginning of year	$ 290	$ (1,360)
Unrealized gains attributable to foreign exchange	133	290
Amounts reclassified to the statement of operations	(290)	1,360
Net remeasurement (losses) gains for the year (Statement 4)	(157)	1,650
Accumulated remeasurement gains, end of year (Statement 1)	**$ 133**	**$ 290**

(See accompanying notes and schedules to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended March 31

	Budget (Note 12)	2017	2016
Operating deficit (surplus) for the year (Statement 2)	$ 478,377	$ (556,901)	$ (646,412)
(Acquisition) of tangible capital assets	(800,000)	(426,098)	(532,832)
(Acquisition and transfer) of breeding herd	-	(88,069)	(150,894)
Amortization of tangible capital assets	346,400	348,151	342,110
Amortization of breeding herd	79,000	68,832	79,004
Proceeds of disposal of tangible capital assets	-	78	-
Proceeds of disposal of breeding herd	-	75,347	75,182
Net loss on the disposal of tangible capital assets	-	725	-
Net loss on write-offs of tangible capital assets	-	2,223	4,651
Net (gain) on the disposal of breeding herd	(70,000)	(15,417)	(46,433)
Net (acquisition) of tangible capital assets and breeding herd	**(444,600)**	**(34,228)**	**(229,212)**
(Acquisition) use of prepaid expenses	-	(19,887)	204,107
Use (acquisiton) of inventory held for consumption	-	249	(70,762)
Net (acquisition) consumption of other non-financial assets	-	**(19,638)**	**133,345**
Net remeasurement (losses) gains for the year (Statement 3)		(157)	1,650
Decrease in Net Financial Assets		**(610,924)**	**(740,629)**
Net Financial Assets, beginning of year		**3,327,570**	**4,068,199**
Net Financial Assets, end of year (Statement 1)		**$ 2,716,646**	**$ 3,327,570**

(See accompanying notes and schedules to financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF CASH FLOWS
For the year ended March 31

	2017	2016
Cash flows (used in) from operating activities:		
Receipts from customers and others	$ 7,440,177	$ 8,069,039
Transfers from Government of Saskatchewan	1,223,000	1,023,000
Transfers from Government of Manitoba	333,000	333,000
Interest received	12,130	19,003
Payments to suppliers and employees	(9,434,571)	(9,348,738)
	(426,264)	95,304
Cash flows (used in) from capital activities:		
Purchase of tangible capital assets	(426,098)	(532,832)
Purchase and transfer of breeding herd	(88,069)	(150,894)
Proceeds from sale of tangible capital assets and breeding herd	75,425	75,182
	(438,742)	(608,544)
Cash flows from financing activities:		
Receipt of capital grants from Government of Manitoba	-	249,950
(Decrease) in cash position	(865,006)	(263,290)
Cash position, beginning of year	3,013,471	3,276,761
Cash position, end of year	$ 2,148,465	$ 3,013,471
Comprised of:		
Cash	$ 685,091	$ 744,050
Due from General Revenue Fund	1,463,374	2,269,421
	$ 2,148,465	$ 3,013,471

(See accompanying notes and schedules to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2017

1. Status of Institute

The Prairie Agricultural Machinery Institute (Institute) is a body corporate operating under *The Prairie Agricultural Machinery Institute Act, 1999*. Its primary purpose is to perform tests and conduct research on machinery, equipment and technologies used in the agriculture, food and other industries. The Institute's testing facilities are located in Humboldt and Lanigan, Saskatchewan and Portage la Prairie, Manitoba.

On wind-up, any net assets will be divided between the Governments of Saskatchewan and Manitoba in proportion to their respective share in the Institute's assets equivalent to the percentage of funding provided to date by each province.

The Institute's objective when managing its capital structure, which consists of net assets, is to ensure adequate funding exists to support its operations and growth strategies. Capital is managed through grant funding and a $700,000 available line of credit. The Institute does not have any long-term debt.

The Institute relies on funding from the Governments of Saskatchewan and Manitoba and on two customers for continued fee for service revenue. These customers account for 43% (2016 – 38%) of its fee for service revenue and 15% (2016 – 31%) of accounts receivable.

2. Significant accounting policies

Pursuant to standards established by the Canadian public sector accounting board (PSAB), the Institute is classified as an 'other government organization'. These financial statements are prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are as follows:

a) Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Valuation allowances are used where considered necessary to reduce the amounts reported for financial assets to their net realizable value.

Cash consists of cash on hand, balances with financial institutions, and Due from General Revenue Fund.

Accounts receivable consist of receivables from customers (trade accounts) and other receivables. Receivables are recorded at cost less an allowance for doubtful accounts.

b) Non-financial assets

Non-financial assets are assets held for consumption in the provision of services. These assets do not normally provide resources to discharge the liabilities of the Institute unless they are sold. Tangible capital assets and other non-financial assets are accounted for as assets by the Institute because they can be used to provide services in future periods. Tangible capital assets are recorded at cost less accumulated amortization. Self-constructed assets are recorded at cost, including labour and materials. Amortization is recorded using methods and rates intended to amortize the cost of assets over their estimated useful life.

	Method	Rate
Buildings	declining balance	5%
Equipment, furniture, and vehicles	declining balance	10%
Computer equipment	declining balance	30%
Leasehold improvements	straight line	10%
Computer software	straight line	33%

Prepaid expenses are prepaid amounts for goods or services which will provide economic benefits in one or more future periods.

The breeding herd is recorded at cost less accumulated amortization. This asset is being amortized at 20% declining balance.

Inventory held for consumption consists of calves, bulls and feed. Calves are recorded at net realizable value. Bulls and feed are recorded at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business.

c) Financial instruments

The Institute's financial instruments include cash, Due from General Revenue Fund, accounts receivable, accounts payable and accrued liabilities, and deferred revenue. These instruments are recorded at cost or amortized cost. The carrying amount of these instruments approximates fair value due to their immediate or short-term maturity. Except as otherwise disclosed the Institute is not exposed to significant credit, currency, interest or liquidity risk arising from these financial instruments that may affect the amount, timing and certainty of future cash flows.

d) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists
- contamination exceeds the environmental standard
- the Institute is directly responsible or accepts responsibility
- the Institute expects that future economic benefits will be given up and
- a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operation, maintenance and monitoring.

e) Government transfers

Government transfers are the transfer of assets from government agencies and are not the result of any exchange transactions, and there is no expectation to repay the amounts in the future or a financial return. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfer is authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

f) Revenue recognition

The Institute's operations are funded by the Government of Saskatchewan and the Government of Manitoba according to an agreement between the two provinces. Under Order in Council 1800/79, the Institute is not required to return the unused portion of the annual provincial transfers. The Institute recognizes provincial transfers when the transfer is authorized and eligibility criteria have been met by the Institute.

The Institute recognizes fee for service revenue when the related services are provided. It recognizes fee for service on contracts using the percentage of completion method. It records monies received prior to providing services as unearned revenue.

All other income is recognized when earned.

g) Basis of segmentation

The Institute has adopted the Canadian public sector accounting standards requiring financial information to be provided on a segmented basis. The Institute has been segmented by accountability center. Revenues that are directly related to the costs of the segment have been attributed to each segment.

The segments are as follows:

- **Corporate Services** provides for the administration of the Institute.
- **Saskatchewan Operations** is an applied research, design, development and testing segment. It serves the agricultural, industrial, transportation, military and other market sectors.
- **Manitoba Operations** is an applied research, design, development and testing segment. It serves the agricultural, industrial, transportation, military and other market sectors.
- **Western Beef Development Centre (WBDC)** applies and transfers beef research to improve profitability of the cow/calf sector of the beef industry.

h) Foreign currency translation

Monetary and non-monetary assets and liabilities prior to settlement that are denominated in foreign currencies are translated into Canadian dollars on the balance sheet date at the exchange rate in effect for that date and are recorded in the Statement of Remeasurement Gains and Losses. In the period of settlement, the cumulative amount of the remeasurement gains and losses are reversed in the Statement of Remeasurement Gains and Losses and an exchange gain or loss is recognized in the Statement of Operations and Accumulated Surplus. Revenue and expense transactions are translated at the approximate exchange rate in effect for that date and are included in the determination of net income for the year.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Accounts receivable includes fee for service revenue on contracts based on an estimate of the percentage of completion at the time of measurement. The measurement of materials and supplies are based on estimates of volume and quality. Amortization is based on the estimated useful lives of tangible capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

The degree of uncertainty associated with the measurement of estimated amounts recognized in the financial statements is not material.

3. Due from General Revenue Fund

Due from General Revenue Fund is money held in a bank account included in the Government of Saskatchewan's Consolidated Offset Bank Concentration arrangement. The Institute receives interest on a quarterly basis from the General Revenue Fund calculated using the Government of Saskatchewan's thirty-day borrowing rate and the Institute's average daily bank account balance. For 2017, the average interest rate was .54% (2016 – .60%).

4. Accounts receivable

	2017	2016
Trade accounts receivable	$2,638,757	$2,201,714
Other	38,341	6,980
Allowance for doubtful accounts	(29,124)	(17,861)
Accounts receivable	$2,647,974	$2,190,833

Of the accounts receivable balance, approximately $295,181 is over 60 days. The Institute expects to fully collect this balance.

5. Accounts payable and accrued liabilities

	2017	2016
Trade accounts payable	$695,136	$442,619
Wages and other personnel costs	295,819	346,400
Other	115,786	76,746
Accounts payable and accrued liabilities	$1,106,741	$865,765

6. Breeding herd

Cost	2017	2016
Opening balance	$653,326	$579,303
Additions and transfers	88,069	150,894
Disposals	(127,239)	(76,871)
Closing Balance	$614,156	$653,326
Accumulated Amortization		
Opening balance	$337,308	$306,426
Amortization	68,832	79,004
Disposals	(67,309)	(48,122)
Closing Balance	$338,831	$337,308
Net Book Value	$275,325	$316,018

The breeding herd consists of cows that are used for beef research in the operations of the Western Beef Development Centre.

7. Inventory held for consumption

	2017	2016
Calves	$177,468	$ 83,289
Feed	80,448	169,327
Bulls	57,137	62,686
Total	$315,053	$315,302

Inventory consumed in 2017 was $24,314 (2016 was $97,792).

8. Accumulated Surplus

Accumulated surplus represents the net financial assets and non-financial assets of the Institute.

Accumulated surplus is comprised of the following two amounts:

- Accumulated operating surplus from operations, which represents the accumulated balance of net surplus arising from operations of the Institute and allocations as detailed in the table below.
- Accumulated remeasurement gains and losses, which represents the unrealized gains and losses associated with foreign exchange.

Certain amounts of the accumulated operating surplus, as approved by the Board, have been designated for specific future purposes. These internally restricted amounts are included in the accumulated operating surplus presented in the Statement of Financial Position.

Accumulated operating surplus from operations is as follows:

	2016	Additions during the year	Reductions during the year	2017
Internally restricted surplus:				
Bio-energy and processing	$1,374,447	$ 7,189	$(180,633)	$1,201,003
Government funded capital	2,153,077		(159,440)	1,993,637
	3,527,524	7,189	(340,073)	3,194,640
Unrestricted surplus	5,460,576		(224,017)	5,236,559
Accumulated operating surplus	$8,988,100	$ 7,189	$(564,090)	8,431,199

9. Related party transactions

This financial statement includes transactions with related parties. The Institute is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. The Institute is also related to all Manitoba Crown agencies because of the Government of Manitoba's participation in the operations of the Institute. In addition, the Institute is related to non-Crown enterprises that the Government of Saskatchewan or the Government of Manitoba jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

Financial statements category	2017	2016
Fee for service revenue	$2,414,975	$1,910,954
Other operating expenses	797,240	781,237
Accounts receivable	792,599	735,206
Accounts payable and accrued liabilities	153,607	155,957
Unearned revenue	831,765	873,387

In addition, the Institute pays Saskatchewan and Manitoba provincial sales tax on its taxable purchases made in those provinces. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

10. Pensions

The Institute's employees participate in the Saskatchewan Public Employees Pension Plan, a multi-employer defined contribution pension plan. Pension benefits are based on accumulated contributions and investment earnings. The Institute's responsibility is limited to paying the required employer contributions of 6% of regular salaries. In 2017 the Institute made contributions of $300,697 (2016 - $299,241) which are funded from current operations.

11. Financial risk management

Risks have been identified and the Institute ensures that management monitors and controls them. The significant financial risks to which the Institute is exposed are:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Institute is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Institute applies sound credit practices. The Institute incurred insignificant bad debt expense during the past five years.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk is comprised of currency risk and interest rate risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Institute is exposed to currency risk on its cash, accounts receivable, and accounts payable. The Institute does not use any derivative financial instruments to alter the effects of this risk.

The Institute enters into transactions denominated in United States currency for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2017 the following items are denominated in United States currency (CAD converted at $1 USD - 1.331 CAD (2016 – 1.2971 CAD)):

	2017	2016
Cash	$32,949	$32,466
Accounts payable	8,456	8,909

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institute's exposure to interest rate risk is limited to the line of credit and trade payables. The interest rate on this debt is variable; therefore, the Institute may face increasing interest costs in an increasing interest rate market.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Institute's exposure to liquidity risk is dependent on the receipt of funds from its operations, external borrowings and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the Institute's financial obligations.

12. Budget

The budget for 2016/2017 was approved by the Board on April 11, 2016. The budget figures are presented for comparison purposes.

13. Contractual obligations

The Institute has committed to provide future services to several research and development projects. At March 31, 2017, the value of these services totals $310,246 (2016 - $311,895).

Lease terms on vehicles, equipment and land range from 1 month to 10 years. In 2017, these lease costs totalled $98,272 (2016 - $104,105). The Institute is required to make the following minimum lease payments on these leases:

2018	$ 35,922
2019	8,050
2020	8,050
2021	5,854
2022 - 2026	2,625

Under contract with Western Canada Testing Inc. (WESTEST), the Institute manages and operates WESTEST under the direction of WESTEST's Board of Directors. WESTEST retains an equipment utilization fee on WESTEST projects with the balance of the project revenue due to the Institute. During the year, the Institute earned fee for service revenue of $280,267 (2016 - $242,926) from WESTEST. At year-end, accounts receivable includes $325,438 (2016 - $231,452) due from WESTEST.

14. Future application of accounting standards

Effective April 1, 2017 the Institute will apply the following PSAB standards:

- *PS 2200 Related Party Disclosures* - a new standard defining related parties and establishing guidance on disclosure requirements for related party transactions.
- *PS 3210 Assets* - a new standard providing guidance for applying the definition of assets and establishing disclosure requirements for assets.
- *PS 3320 Contingent Assets* - a new standard defining and establishing guidance on disclosure requirements for contingent assets.
- *PS 3380 Contractual Rights* - a new standard defining and establishing guidance on disclosure requirements for contractual rights.

Schedule 1

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

SCHEDULE OF TANGIBLE CAPITAL ASSETS
As at March 31

	Asset Cost					Accumulated Amortization					Net Book Value 2017	Net Book Value 2016
	Opening Balance	Additions	Disposals	Write-downs	Closing Balance	Opening Balance	Amortization	Disposals	Write-downs	Closing Balance		
Land and improvements	$ 279,841	$ -	$ -	$ -	$ 279,841	$ -	$ -	$ -	$ -	$ -	$ 279,841	$ 279,841
Buildings	5,386,076	-	-	-	5,386,076	3,307,816	103,913	-	-	3,411,729	1,974,347	2,078,260
Equipment and furniture	4,030,953	67,819	-	-	4,098,772	2,398,336	170,044	-	-	2,568,380	1,530,392	1,632,617
Vehicles	599,255	-	-	(600)	598,655	423,758	17,524	-	(548)	440,734	157,721	175,497
Computer equipment	377,882	67,535	(8,538)	(20,963)	415,916	353,280	26,809	(7,735)	(18,992)	353,362	62,554	24,602
Leasehold improvements	171,246	-	-	-	171,246	112,649	17,125	-	-	129,774	41,472	58,597
Computer software	71,881	38,210	-	-	110,091	71,881	12,736	-	-	84,617	25,474	-
Assets under construction	502,518	252,534	-	-	755,052	-	-	-	-	-	755,052	502,518
Total	$11,419,652	$ 426,098	$ (8,538)	$ (21,763)	$11,815,449	$6,667,720	$ 348,151	$ (7,735)	$ (19,540)	$6,988,596	$4,826,853	$4,751,932

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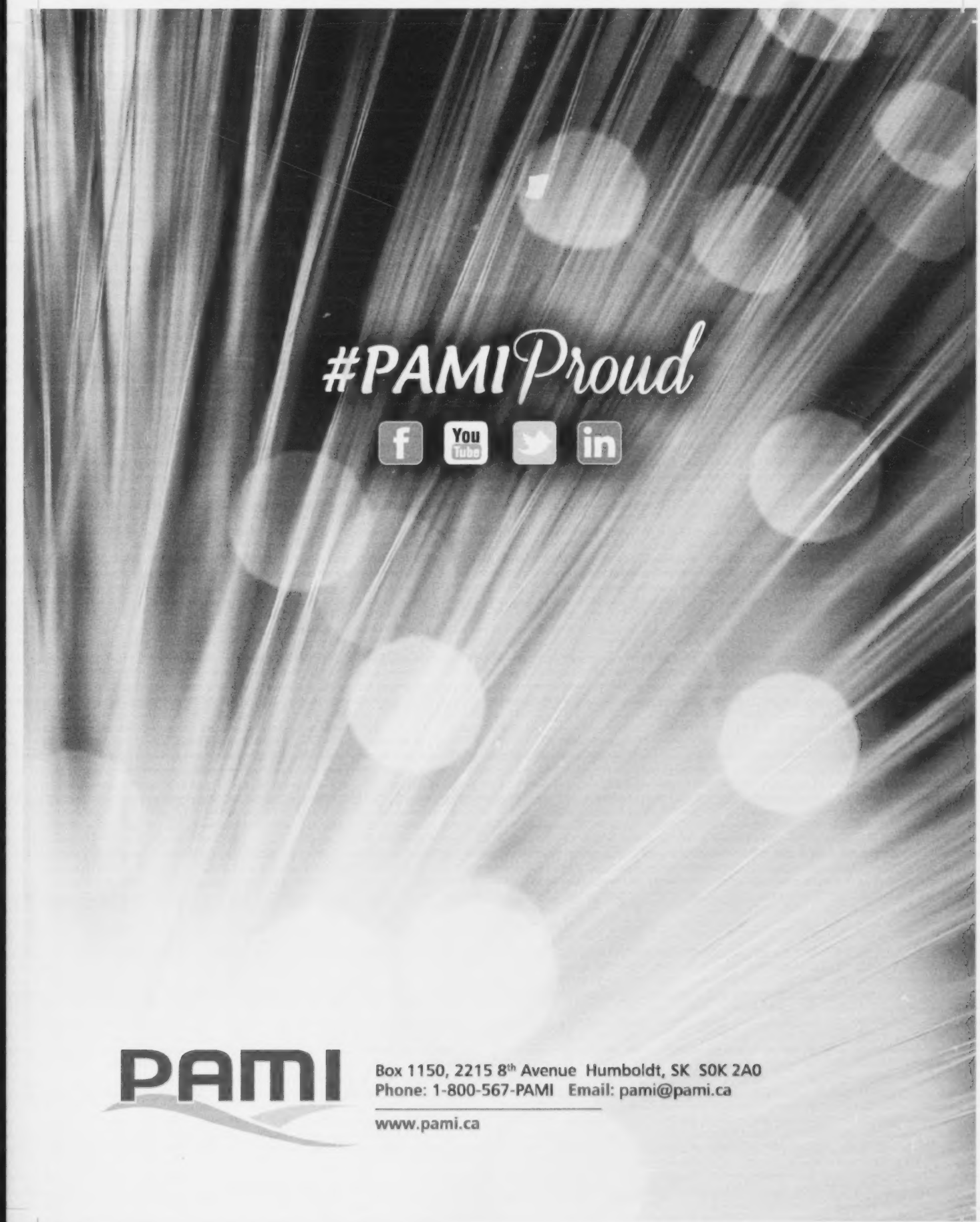
PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

Schedule 2

SCHEDULE OF SEGMENT DISCLOSURE
For the Year Ended March 31

	Corporate Services		Saskatchewan		Manitoba		Western Beef Development Centre		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue										
Provincial Transfers:										
Government of Saskatchewan										
Ministry of Agriculture										
- operating	$ 422,000	$ 320,000	$ 475,000	$ 310,000	$ -	$ -	$ 326,000	$ 393,000	$ 1,223,000	$ 1,023,000
Government of Manitoba										
Department of Agriculture, Food and Rural Development										
- operating	63,000	30,000	-	-	270,000	303,000	-	-	333,000	333,000
	485,000	350,000	475,000	310,000	270,000	303,000	326,000	393,000	1,556,000	1,356,000
Fee for service	-	8,076	5,289,135	4,923,944	1,073,496	967,157	1,309,803	1,060,188	7,672,434	6,959,365
Other income	1,484	3,540	61,027	40,340	6,730	10,473	228,821	490,640	298,062	544,993
Interest income	4,573	9,257	7,553	9,746	4	-	-	-	12,130	19,003
Total Revenues	**491,057**	**370,873**	**5,832,715**	**5,284,030**	**1,350,230**	**1,280,630**	**1,864,624**	**1,943,828**	**9,538,626**	**8,879,361**
Expenses										
Personnel	623,760	746,106	3,574,302	3,355,902	889,425	873,198	821,940	811,234	5,909,627	5,786,440
Fee for service direct costs	-	4,476	957,594	1,063,670	193,628	177,919	658,020	521,680	1,809,242	1,767,745
Administration	113,395	111,195	706,492	602,687	221,660	210,216	233,101	183,475	1,274,648	1,107,573
Operating	34,216	31,036	347,135	313,079	76,355	79,169	97,574	136,025	555,280	559,289
Administration fee (recovery)	(432,303)	(359,005)	299,957	256,375	60,307	49,711	72,039	53,009	-	-
Amortization	5,000	5,000	218,885	200,998	77,806	85,769	115,292	129,348	416,983	421,115
Lease - land and equipment	1,848	1,848	38,598	37,493	15,805	22,533	42,021	42,037	98,272	103,911
Loss on disposal of assets	-	-	2,697	1,170	-	3,480	6,560	1,606	9,257	6,256
Honoraria	5,573	3,498	-	-	-	-	3,110	1,845	8,683	5,443
Bad debt	-	-	13,535	17,951	-	-	-	-	13,535	17,951
Total expenses	**351,489**	**544,044**	**6,159,395**	**5,849,325**	**1,534,986**	**1,501,995**	**2,049,657**	**1,880,359**	**10,095,527**	**9,775,723**
Surplus (deficit) before capital grants	**139,568**	**(173,171)**	**(326,680)**	**(565,295)**	**(184,756)**	**(221,365)**	**(185,033)**	**63,469**	**(556,901)**	**(896,362)**
Capital grants	-	-	-	-	-	249,950	-	-	-	249,950
Surplus (deficit) for the year	$ 139,568	$ (173,171)	$ (326,680)	$ (565,295)	$ (184,756)	$ 28,585	$ (185,033)	$ 63,469	$ (556,901)	$ (646,412)



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